

# *facts* **conectiv**

Over the next  
few weeks,  
you'll learn  
details of the  
Total Rewards  
Program

## CONECTIV TOTAL REWARDS PROGRAM FINALIZED

During the last several weeks, details of Conectiv's Total Rewards Program for management have been finalized. The new program will cover all Conectiv management employees. Coverage for union employees is subject to collective bargaining.

Over the next few weeks, you'll learn the details of the program and the benefit options available to you. You've already received two newsletters giving some background information about the new pension and flexible benefits plans. With this issue of *facts* and the next one, we'll explain more about the program and the decisions you'll be making soon.

In May, you will each receive a personalized "decision kit" that will help you make your flexible benefit elections. We'll also hold group meetings and provide a hotline to answer your questions. (For more on the communications schedule, see the back cover.) Your *Conectiv Flex* benefits will start July 1.

## YOUR PAY

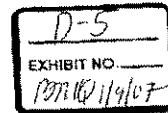
Pay is, of course, an important element in the Total Rewards Program. Conectiv has made sure that our *base pay levels are competitive* with what is being paid for similar jobs in general industry in the areas in which we operate. Each employee will be informed about his or her "competitive base opportunity"—that is, the potential base salary for the job over time, given sustained solid individual performance.

In addition, all employees not participating in management or business unit variable pay plans will participate in Conectiv's *Variable Pay Opportunity*—our new plan that replaces the former DPL (CPIP) and AE (Corporate Bonus) profit sharing plans. Annual payouts will be based on how well Conectiv as a whole and individual business units achieve pre-established financial goals.

## NEW CASH BALANCE PENSION PLAN

Until now, employees of both DPL and AE have been covered by what are known as "final pay" pension plans. The "cash balance" pension plan is a new concept that has two important advantages: it's *easier to understand* than the former plans, and it's totally "*portable*." Both these features support our goal of designing a benefits package that meets the needs of today's more independent, more mobile workforce.

The new cash balance pension plan will take effect January 1, 1999.



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### Conversion to the New Pension Plan

The new cash balance pension plan will cover all Conectiv employees\* as of January 1, 1999. Benefits already earned under the former DPL and AE pension plans are *fully protected*, and will be converted to an equivalent cash amount. This will form your "starting balance" under the new plan.

Your starting balance will, in essence, provide you with the lump sum amount you would need today to purchase a lifetime annuity equal to the benefit you've earned to date under your DPL or AE pension plan. The conversion formula will take into account any early retirement and survivor benefits which are part of the current plans.

Later this year, you'll receive a personalized pension statement showing your lump sum "starting balance" under the new plan.

### Transition Credits with Ten or More Years' Service

If you have completed between ten and 35 years of service with DPL or AE as of January 1, 1999, you will also be eligible for annual *transition credits*. This means the company will contribute an *additional* amount to your pension account *each year*. Your transition credit percentage depends on your completed service as of January 1, 1999, and remains constant until you have completed 35 years of service. At that point, transition credits stop.

Service as of 1/1/99	Transition Credit (% of Pay)	Service as of 1/1/99	Transition Credit (% of Pay)
10 to 11 years	1%	16 to 19	3%
12 to 15 years	2%	20 years or more	4%

For example, if you have completed 13 years of service as of January 1, 1999, the company will make an additional contribution of 2% of your total pay to your account every year until you complete 35 years of service.

### Annual Statements

Each year, you'll receive a personal statement of your pension account which will show the company's contributions (basic amount plus any transition credits), interest credit and total balance, so you'll be able to watch the progress of your account over the years.

\* Subject to collective bargaining agreements.

Benefits  
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under DPL and  
AE plans are  
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*The new  
cash balance  
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is easier to  
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you leave  
Connectiv after  
you're vested.*

### Benefit Easier to Understand

The way the new pension plan works is simple. Each year the company makes a cash contribution equal to a percentage of your total pay, including overtime and bonus, to your individual pension account. Throughout your Connectiv career, your account grows through additional yearly company contributions, plus interest. When you retire, the current cash value of your account is yours.

Over the years, as you watch your pension account grow, you'll have a clearer idea of your own financial position. And you'll be better able to plan for your future.

### Portability a Plus

Today, people who work for a single company throughout their careers are in the minority. So being able to transfer accumulated pension credit from one employer to the next is an important plus.

With the new cash balance plan, if you leave Connectiv after you have completed five years of service and are vested, you can transfer your pension account either to your new employer's plan or to your own IRA. Taxes are deferred on the transfer, so your full account can continue growing for the rest of your working years.

### Company Contributions and Interest

Connectiv makes all the contributions to your cash balance pension account. These contributions are based on a percentage of your total pay, including overtime and bonuses. Contributions increase with age, as shown below. You are not required to contribute to the pension plan.

Age*	Pension Credit (% of Pay)	Age*	Pension Credit (% of Pay)
Under 30	5%	40 to 44	8%
30 to 34	6%	45 to 49	9%
35 to 39	7%	50 and over	10%

The company also credits your account with interest each year based on the current 30-year U.S. Treasury bond rate. This rate changes based on economic conditions. Currently, it is 6%. Historically, it has averaged about 8%.

\* Based on your age as of January 1st; contributions are prorated if you move to a higher age bracket in mid-year.

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**A Quick Look at the New "Cash Balance" Pension Plan**

<b>Company Contributions</b>	<ul style="list-style-type: none"> <li>Made annually to your account based on a percentage of pay</li> <li>Age-related percentage ranges from 5% to 10%</li> </ul>
<b>Interest</b>	Credited each year based on the 30-year U.S. Treasury bond rate at the time
<b>Conversion to New Plan</b>	<ul style="list-style-type: none"> <li>Benefits accrued under DPL and AE pension plans to be converted to a cash equivalent starting balance under new plan</li> <li>Starting balance also credited with interest annually (see above)</li> </ul>
<b>Transition Credits</b>	With 10 years of service as of 1/1/99, you receive an additional annual company contribution of 1% to 4% of pay
<b>Vesting</b>	Upon completion of five years of service (including service with DPL and AE)
<b>Portability</b>	Totally portable; current value of your account is yours if you leave Connectiv after you are vested
<b>Survivor's Benefit</b>	Full current value of your account is paid to your spouse or beneficiary if you die while actively employed
<b>Payment options at retirement</b>	Lump sum cash option or several lifetime monthly payment options (annuities); cash option can be rolled over to an IRA to continue tax deferral

**"Grandfather" Protection for Older and Long Service Employees**

Of course, many employees have already worked for most of their careers under the former "final pay" pension plans. For this reason, two groups of people will also continue to be covered by their former plans for the next ten years. They are employees who, as of January 1, 1999:

- have completed 20 years of service, or
- are age 50 or older.

These "grandfathered" employees will have their pensions calculated under both the former and new plans, and will receive whichever value is greater.

**Payment Options at Retirement**

The new pension plan also gives you a great deal of flexibility when you retire. You may take the full value of your pension in a single lump sum, which you may then roll over, tax deferred, into the investment vehicle you select. Or you may elect guaranteed lifetime monthly payments for yourself or you and your spouse (an "annuity").

**Survivor Benefits**

The new pension plan provides another advantage in case of your death after you are vested but before retirement. Under the former plans, survivor benefits were payable only to a spouse, and then in an amount equal to about *half* of your accrued benefit. With the new plan, the *entire cash value* of your pension account would be paid to your beneficiary who, with your spouse's consent, can be anyone you name.

## 401(K) SAVINGS PLAN

The 401(k) plan, with its automatic, tax-deferred saving feature, company match and investment options, has become an important part of the retirement benefits package at both DPL and AE. Today, many employees are building a strong financial future for themselves by participating actively in these plans.

Conectiv will also sponsor a 401(k) plan that blends features from both prior plans.

### Company Match and Savings Options

Beginning July 1, the Company will match 50% of the first 6% of pay that you save, in the form of Conectiv stock. Making the match in stock helps reinforce one of Conectiv's key goals for our Total Rewards Program—linking employees' interests with the Company's business success. In other words, the better we do financially, as reflected in Conectiv's stock price, the better you will do, too.

You may contribute a total of up to 20% of pay to the plan—up to 15% on a before-tax basis and up to 5% on an after-tax basis.

### New Investment Choices

The new 401(k) plan will offer a broader range of investment choices than either the DPL or AE plans. The Vanguard Group, one of the country's largest and most respected mutual fund companies, will be responsible for maintaining account records as well as managing most of the investment funds.

Investment options will include both fixed income and diversified stock funds. In addition, you will have the choice of investing your account in one of two "LifeStrategy" funds that automatically apportion your account among several different funds according to your investment goals.

#### New 401(k) Investment Options

##### Stock Funds

- Vanguard Index Trust – 500 Portfolio\*
- T. Rowe Price International Stock
- Baron Asset Fund
- Vanguard/PRIMECAP
- Vanguard/Windsor II
- Vanguard Growth & Income Portfolio

##### LifeStrategy Funds

- Vanguard LifeStrategy Portfolio – Growth Portfolio
- Vanguard LifeStrategy Portfolios – Moderate Growth Portfolio

##### Fixed Income Funds

- Vanguard Bond Index Fund – Total Bond Market Portfolio
- Vanguard Retirement Savings Trust

Later this spring you'll have the opportunity to learn more about the new investment funds. In August, Vanguard will automatically transfer your investment in current plan funds to comparable new funds, with no tax liability at transfer. You will then be free to make any investment changes you want.

\*Standard & Poor's 500, "S&P 500", "Standard & Poor's", "S&P", and "500" are trademarks of the McGraw-Hill Companies, Inc.

*Under the new  
401k plan,  
Conectiv will  
match 50% of  
the first 6% of  
pay you save.*

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*Connectiv Flex  
lets YOU choose  
the benefits  
that are right  
for you . . .*

### CONNECTIV FLEX

*Connectiv Flex*, our new flexible benefits program, goes into effect July 1, 1998. *Connectiv Flex* lets you choose the benefits that are right for you from among a broad variety of options. Highlights of your *Connectiv Flex* program follow. You'll receive more details about the program in the next few weeks.

#### Connectiv Flex Means Advantages for You

With *Connectiv Flex*, you choose the benefits you want each year, and you can change your benefits annually, as your needs change. In this way, *Connectiv* can be sure it is making the wisest use of the dollars it sets aside each year to pay for benefits. *Connectiv Flex* offers:

- *A range of benefits* from which to choose (see *Highlights...*, right)
- *Cash back*—*Connectiv* pays the major portion of the cost of coverage under *Connectiv Flex*. Each benefit option has a price tag, depending on the type and level of benefit you choose. If the benefits you choose cost more than the amount *Connectiv* pays, you pay the difference through payroll deduction—usually on a *before-tax* basis. If the benefits you choose cost less than the amount *Connectiv* pays, you will receive extra dollars in your paycheck as taxable cash.
- *Tax advantages*—With *Connectiv Flex*, you get the advantage of tax breaks permitted by law. For example, amounts you pay toward health care coverage are deducted from your pay on a *before-tax* basis. And, when you participate in a Health Care or a Dependent Care Reimbursement Account, you pay no federal or Social Security taxes on the dollars that go into your account(s) or on the dollars that are reimbursed to you.

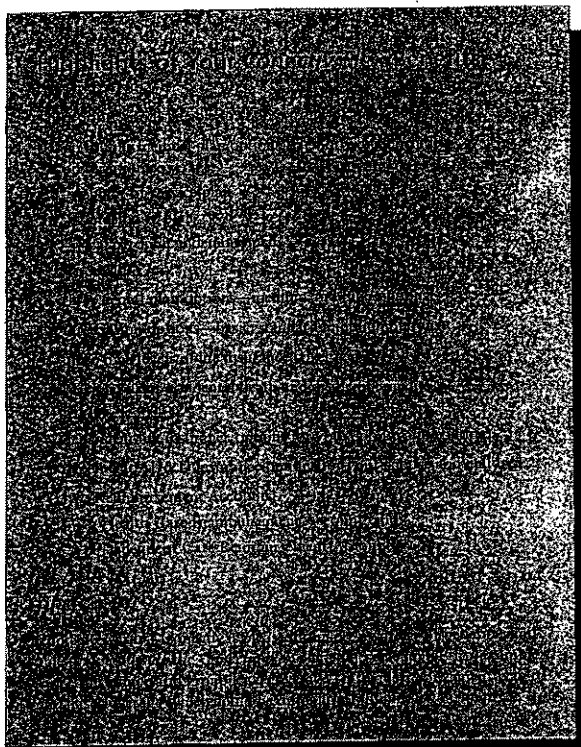
#### FlexPhone Telephone Enrollment

In May, you'll be able to enroll for your *Connectiv Flex* benefits for July 1998-July 1999 using any touch tone phone and the personalized enrollment fact sheet that you will receive.

The FlexPhone system is quick and easy. It ensures privacy and confidentiality using your own Personal Identification Number (PIN). Complete instructions for enrolling by phone will be included with the *Connectiv Flex* decision kit that you'll receive in May.

Watch for the next issue of  
*facts* to learn more  
about your *Connectiv Flex*  
benefit options.

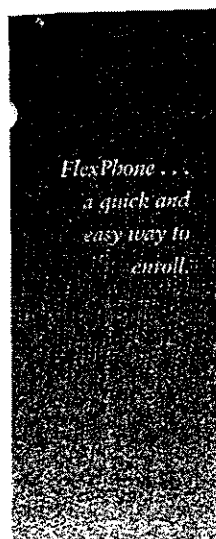




This newsletter covers only the highlights of your Conectiv Total Rewards Program. Details of the plans are contained in the official plan documents. In the case of questions, the documents always govern.

You'll be able  
to enroll for  
Flex using the  
FlexPhone  
system.

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*FlexPhone . . .  
a quick and  
easy way to  
enroll.*

## TOTAL REWARDS COMMUNICATION PLAN

This schedule will give you an idea of what you can expect to hear about the new Total Rewards Program between now and the July 1 effective date.

- 3rd facts newsletter (this one) .....April-May
- 4th facts newsletter (more details on flexible benefits—medical, dental, life insurance and reimbursement accounts) .....April-May
- 5th facts newsletter (more information on the new 401(k) plan) .....May-June
- "Decision Kits" mailed to you .....Mid-May
- Employee meetings and benefits hotline .....April-May
- Enrollment period for flexible benefits .....Mid-May to June 1
- Flex benefits effective date .....July 1

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# **EXHIBIT B**



## Your Conectiv Total Rewards

- *Conectiv Flex Enrollment*
- *Pension/401(k)*
- *Compensation*

*Conectiv 1998-99*

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*Got Questions About Total Rewards? Need Help?*

## **Call the Conectiv Human Resource Service Center—HRSC**

Please read this decision kit carefully. Then, if you have questions, getting prompt, confidential answers to your Total Rewards questions is as easy as dialing 1-800-201-4718.

Hours for HRSC are 7:30 a.m. to 5:30 p.m.,  
Monday through Friday.

*It's As Easy As 1-2-3-4-0*

When you dial 1-800-201-4718, you will be given the following five options:

- Press 1 for a list of carriers and their phone numbers.
- Press 2 if you want to enroll for *Conectiv Flex* (you'll be transferred to FlexPhone).
- Press 3 for the HRSC fax numbers and mailing address.
- Press 4 for the HRSC e-mail address.
- Press 0 if you want to speak to a Service Center Representative.

If you Press 0, the Service Center Representative who answers your call will ask you to identify yourself—for example, by providing your Social Security number—in order to assure confidentiality.

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# Conectiv Total Rewards

**Y**our Conectiv Total Rewards Program is a *new* program for a *new* company in a new and emerging business environment. It's designed to be:

- **Competitive.** Both direct pay and benefits compare favorably with programs offered by general industry in our areas.
- **Flexible.** The program meets the demands of today's highly competitive business environment, as well as the needs of an independent and mobile workforce. It lets you tailor your benefits—such as medical, dental and life insurance—to fit your own and your family's needs, now and in the future.
- **Portable.** The new cash balance pension plan lets you accumulate pension credits in an individual, "portable" account, which can go with you if you leave Conectiv after you're vested.
- **Performance Based.** Your Total Rewards are linked directly with Conectiv's success in several ways. Your *Variable Pay Opportunity* can provide an annual payout based on

how well Conectiv as a whole and individual Business Groups achieve pre-established goals. And the company's 401(k) matching contribution is made in the form of Conectiv stock—creating another link between Conectiv's results and your rewards.

## ABOUT THIS DECISION KIT

This decision kit will help you:

- learn about your Conectiv Total Rewards Program—including your *Conectiv Flex* benefits, your new pension and 401(k) plans; your new direct pay program, and other benefits.
- focus on the *immediate decisions* you have to make to choose the *Conectiv Flex* benefits that are right for you and your family, and
- get ready to enroll in *Conectiv Flex*.

## MAKE YOUR CONECTIV FLEX ELECTIONS BY MIDNIGHT, MAY 31st.

*Making your Conectiv Flex elections is your first priority.* You should

focus on making your *Conectiv Flex* elections first. Your elections will be effective from July 1, 1998 through June 30, 1999.

*You must enroll for Conectiv Flex between May 18 and midnight, May 31, 1998.* It's easy to do using FlexPhone—our telephone enrollment system. You'll find a Personal Fact Sheet in the back pocket of this booklet. Instructions for enrolling are on page 19.

*You don't have to do anything yet* with respect to the new pension or 401(k) plans. Your current 401(k) elections will continue until you change them. (You'll receive information about the new investment funds and how your account will be transferred in the next few months.)

## WHO IS COVERED BY TOTAL REWARDS

Total Rewards covers all eligible full-time and part-time Conectiv management employees. Union employees may also be covered subject to the terms of their collective bargaining agreements.

## EFFECTIVE DATES

The different parts of your Total Rewards Program take effect as follows:

Plan	Effective On...
<i>Conectiv Flex</i>	July 1, 1998
New 401(k) plan	July 1, 1998 (Your account will be transferred to the new investment options later this year.)
<i>ChoiceRewards</i>	By late summer, 1998
New cash balance pension plan**	January 1, 1999
Vacation, holidays, sick leave, disability**	January 1, 1999
Health Care and Dependent Care Reimbursement Accounts* **	January 1, 1999

\* If you made a previous reimbursement account election for 1998, the law does not permit you to change that election in mid-year. See page 13 for details.

\*\* Existing plans will remain in effect until January 1, 1999.

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## CONNECTIV FLEX—YOUR FLEXIBLE BENEFITS

**C**onectiv Flex, the new Conectiv flexible benefits program, gives you the opportunity to select the benefits that are best for you. In a very real sense, Conectiv Flex allows you to design your own benefits program. Conectiv Flex gives you:

- **More Choice**—You can choose from a wide array of benefits.
- **Flexibility**—You can change your benefit selections each year, as your needs change.
- **Cash Back**—Selecting certain benefit options gives you cash back, which could result in extra taxable cash in your paycheck.
- **Tax Advantages**—The flexible benefits program takes full advantage of the tax breaks permitted by law, helping you get more for your money.

### WHO'S ELIGIBLE FOR CONNECTIV FLEX

Regular full-time and part-time employees are eligible to participate in

*Conectiv Flex.* You are considered a full-time employee if you work more than 80% of the normal work schedule — that is, more than 32 hours based on a 40-hour week. Part-time employees are those who are scheduled to work between 50% and 80% of the normal work schedule — that is, 20 to 32 hours of a normal 40-hour week.

You may also enroll your dependents for certain coverages. In general, your eligible dependents are:

- your legal spouse,
- your dependent children to age 19 (through age 23 or beyond if unmarried and a full-time student—see chart below),
- dependent children of any age who live with you and are physically or mentally unable to support themselves (as approved by the carrier).

Eligible children include adopted children, stepchildren, or other children related to you and living with you who are dependent on you for support.

### Dependent Children Age Limits

Plan	Child Limit	Full-Time Student Limit
Medical – Standard indemnity option	End of calendar year in which child reaches age 19	Unlimited
Medical – All other options	Same	End of calendar year in which child reaches age 24
Dental – All options	Same	End of calendar year in which child reaches age 25
Vision – All options	Same	End of calendar year in which child reaches age 23
Dependent Life Insurance	Same	End of calendar year in which child reaches age 24
Dependent AD&D	Same	End of calendar year in which child reaches age 24

**Conectiv Couples**

You can be covered as an employee or as a dependent, but not both. If both you and your spouse work for Conectiv, you may each enroll for individual coverage or one of you may decline coverage (by contacting the HRSC) and be covered by your spouse's coverage.

**HOW CONECTIV FLEX WORKS**

Under *Conectiv Flex*, each year you will have a range of benefit options from which to choose. You choose only the benefits and levels of coverage that meet your individual needs.

- If you choose a higher level of coverage, you share in the cost through payroll deductions — in many cases on a before-tax basis. Being able to use tax-free dollars is a benefit in itself, since it helps you get more for your money. For more information, see the box below right.
- If you choose a lower level of coverage, you may have dollars left over that you can put toward other benefits or take in your paycheck as taxable cash.

**WHEN COVERAGE BEGINS**

Benefits you choose under *Conectiv Flex* will be effective from July 1, 1998, through June 30, 1999.

Each year, you'll have an opportunity to make new benefit choices for the following plan year (July through June). (Note: Some restrictions may apply, so be sure to read the description of each plan.) Generally, you may not make changes in your benefits during the year except in the case of a "qualifying life event." See "Making Changes," page 20, for more information.

**Reimbursement Account Elections**

Unlike the rest of *Conectiv Flex*, your Reimbursement Account elections must be made on a calendar year basis. You will make these elections in November 1998 for the 1999 calendar year.

**Paying for Benefits on a Before-Tax Basis**

Paying for benefits on a *before-tax basis* means that amounts you pay for benefits are deducted from your pay *before* federal income, Social Security, Medicare and most state and local income taxes are calculated. In effect, benefits you buy with before-tax dollars actually cost you less. Since your contributions are paid before taxes are deducted, your taxes are calculated on a lower amount of pay.



## MEDICAL OPTIONS

**H**ere are your medical options:

- Point-of-Service (POS)
- Standard Indemnity Plan
- Basic (Catastrophic) Indemnity Plan
- HMO

Under *Connectiv Flex*, you can choose from several medical plan options, all designed to give you and your eligible family members access to quality care, while helping to manage costs for you and Connectiv. Here are your choices.

### POINT-OF-SERVICE (POS) PLAN

The POS plan is administered by Blue Cross Blue Shield or Principal Health Care. Under the POS you have access to a network of health care providers. You and each member of your family select a primary care physician (PCP) from the network who will provide or coordinate all of your health care needs. And, if you need to see a specialist or go to the hospital, your PCP will give you a referral, and will take care of handling all precertification procedures for you. (See the provider directory that is available at your work location for a list of the network physicians and specialists in your area. Make sure that the providers you select are located conveniently for you and your family.)

- When you receive your care through your PCP, you will receive the highest level of benefits. Most services are covered in full after you pay a \$10 copayment. When you use your PCP, you also have the advantages of:

- benefits for preventive care (such as physical exams, well baby care and immunizations),
- no annual deductible,
- no claim forms to complete, and
- no precertification procedures to follow.

- And the best part is that with the POS, you're not locked in. That's because each time you need medical care — that is, at the "point of service" — you can choose to receive your care through your network PCP or go to any out-of-network doctor. When you use an out-of-network provider, you'll receive a lower level of benefits — that is, most care is covered at 80% of allowable charges after you satisfy an annual deductible. Keep in mind that when you go out of the network:

- you have no benefits for preventive care,
- you have to satisfy an annual deductible,
- you are responsible for precertifying surgery and hospitalization, and
- you'll need to submit a claim for reimbursement from the plan.

### Coverage for Working Spouses

If your spouse works and has medical coverage available through his or her employer, your spouse *must* enroll for that coverage. Your spouse's plan will pay benefits first toward his or her medical expenses. If you also enroll your spouse under a Conectiv option, Conectiv's plan will pay second, up to the plan's allowable benefit.

### THE STANDARD INDEMNITY PLAN

The standard indemnity plan is administered through Blue Cross Blue Shield. Under the plan, you may use any doctor you choose although you will save money if you use a participating doctor. Each year you're responsible for paying a deductible of \$150 (or \$300 per family) before the plan begins to pay benefits. After you satisfy the annual deductible, the standard indemnity plan pays 90% of allowable charges for most covered expenses and you pay 10%. For hospitalization, the plan pays 100% of allowable charges for covered expenses. Preventive care is not covered.

### THE BASIC (CATASTROPHIC) INDEMNITY PLAN

The basic (catastrophic) indemnity plan, also administered through Blue Cross Blue Shield, is designed to pay benefits *only* in the case of very high medical expenses. Each year you're responsible for paying a deductible of \$750 (\$1,500 per family) before the plan begins to pay benefits. After you satisfy the annual deductible, the plan pays 70% of most covered expenses, including prescription drugs.

### Precertification Is Required

Depending on the plan you choose, you may be required to obtain precertification in advance for certain services—such as hospitalization and surgery. It is your responsibility to call the plan to precertify these expenses. Failure to receive precertification, when required, will result in reduced benefits. Detailed information for each plan is available at your work location.

Hospitalization is covered at 70% and limited to up to 120 days, and you pay 30%. Preventive care is not covered. This plan also has BCBS participating doctors.

### HEALTH MAINTENANCE ORGANIZATIONS (HMOs)

As an alternative, you may elect HMO coverage under Aetna US Healthcare or AtlantiCare. Generally, HMOs are independent associations of doctors, hospitals and other health care providers contracted to provide medical care. Under these arrangements, you and each covered dependent must elect a primary care physician (PCP). To receive benefits, all of your care must be provided or coordinated through your PCP. Preventive care is covered, and most services are covered at 100% after you pay a \$10 copay.

Under Aetna US Healthcare only, limited benefits are available for out-of-network care. Generally, out-of-network care is covered at 50% of charges after you satisfy the annual deductible.

On the next page is an overview of each of your medical plan options.

### Mental Health and Substance Abuse (MH/SA) Benefits

MH/SA benefits under the standard indemnity and POS options are administered through the VBH (Value Behavioral Health) network of qualified providers. To be eligible for benefits under MH/SA, all care must be pre-authorized by the VBH network. Under the basic indemnity option, limited out-of-network MH/SA benefits are available. For those who elect HMO coverage, MH/SA benefits vary depending on each individual HMO.

Here are just the highlights of each of your medical plan options. More detailed information is available at your work location.

#### Reasonable and Customary (R&C)/Allowable Charges

This means the charge that the plan considers to be "reasonable and customary" (or "allowable") when compared with fees charged by other providers in your geographic area for the same or similar service or procedure. Amounts charged in excess of the R&C/allowable charges are your responsibility.

#### Your Medical Options at a Glance

Feature	Basic (Catastrophic) Indemnity**	Standard Indemnity**	POS		HMO
			In-Network	Out-of- Network**	In-Network**
Deductible					
Individual	\$ 750	\$150	N/A	\$300	N/A
Family	\$1,500	\$300		\$900	
Out-of-Pocket Limit*					
Individual	\$2,500	\$ 750	N/A	\$1,000	N/A
Family	\$5,000	\$1,200		\$3,000	
Office Visits	70%#	90%#	\$10 copay	80%** (routine preventive care not covered)	\$10 copay
Hospital	70%#	100%#	100%, no copay	80%**	100%, no copay
Emergency Room	70%#	90%#	\$25 copay	80%**	\$35/\$50 copay+
Surgery					
Inpatient/ Outpatient	70%#	90%# 90%, no deductible	100%, \$10 copay for specialist visit	80%**	100%, no copay
Lab and X-Ray	70%#	100%	100%, no copay	80%**	\$10 copay
Preventive Care	No coverage	No coverage	\$10 copay	No coverage	\$10 copay
Lifetime Maximum	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Prescription Drugs	70%#	\$5 generic \$10 brand	\$5 generic \$10 brand	\$5 generic \$10 brand	\$5 generic \$10 brand

\* Out-of-pocket limit — excluding deductible

\* Up to 120 days per year

\* After deductible

+ Waived if admitted

^ Hearing exams and mammography are covered at 50% after deductible

\*\* Benefits are based on allowable charges

\*\* Benefits are based on R&C charges

\*\* Limited out-of-network benefits are payable at 50% under Aetna US Healthcare after meeting a deductible of \$1,000 (\$3,000/family) up to an out-of-pocket limit of \$10,000 (\$30,000/family). For details, see plan information available at your work location.

Mental Health/Substance Abuse Benefits							
Feature	Basic (Catastrophic) Indemnity	Standard Indemnity	POS		HMO (AtlantiCare)	HMO (Aetna USHC)	
			In-Network	Out-of-Network		In-Network	Out-of-Network
Mental Health • Inpatient  • Outpatient	No coverage	80% of VBH fees	80% of VBH fees	No coverage	No copay (30 day/yr max)	NU/PA: no copay (max 35 days/yr) MD: no copay	MD/NU/PA: 50% after deductible (30 day/yr max)
	No coverage	Visits 1-3, \$0 copay Visits 4+, \$10 copay No annual limit	Visits 1-3, \$0 copay Visits 4+, \$10 copay No annual limit	No coverage	\$10 copay (20 visit/yr max)	MD: 1-5 visits/yr, \$15/visit; 6-30 visits/yr, \$25/visit; 31+ visits/yr, \$35/visit NU: \$25/visit (20 visit/yr max) PA: \$25 visit (20 visit/yr max)	MD/NU/PA: 50% after deductible; \$30/visit (60 visits/yr max)
Substance Abuse • Inpatient  • Outpatient	No coverage	2 confinements up to a total of 60 days; 1 confinement may be for drug abuse	2 confinements up to a total of 60 days; 1 confinement may be for drug abuse	No coverage	No copay (30 days/yr max)	MD/NU/PA: No copay (30 days/yr, 90 day lifetime max)*	MD/NU/PA: 50% after deductible (30 days/yr, 90 day lifetime max)*
	50% of VBH fees 30 visit annual limit	Visits 1-3, \$0 copay Visits 4+, \$10 copay No annual limit	Visits 1-3, \$0 copay Visits 4+, \$10 copay No annual limit	50% of VBH fees 30 visit annual limit	\$10 copay (20 visit/yr max)	MD/NU/PA: 30 visits/yr*	MD/NU/PA: 50% after deductible (30 visits/yr max)*
Provider Network Utilization Review	May be any provider selected by employee; no preauthorization except medication checks; no concurrent review required	Provider must be from VBH network; all care must be preauthorized with concurrent review; re-authorization required	Provider must be from VBH network; all care must be preauthorized with concurrent review; re-authorization required	May be any provider selected by employee; no pre-authorization except medication checks; no concurrent review required	You must have a referral from your PCP	You must have a referral from your PCP	May be any provider selected by employee

\* Combined (inpatient and outpatient) lifetime maximum of \$50,000 for substance abuse (Aetna USHC).

## PREScription BENEFITS

**W**hen you elect a medical plan option (except for the basic indemnity plan\*), you automatically receive coverage under the prescription drug plan, administered by Caremark. This plan enables you to purchase prescription drugs at a retail pharmacy or through Caremark's mail order pharmacy service.

When you fill your prescription at one of Caremark's 51,000 participating pharmacies nationwide, you can receive up to a 30-day supply (up to 100 units) of your prescription drug. Some participating pharmacies include Acme, Eckerd, CVS, Happy Harry's, Pathmark, Rite-Aid and Wal-Mart.

In addition, the Caremark mail order pharmacy service provides a convenient and cost-effective way to order up to a 90-day supply of long-term or maintenance medication — for example, drugs to control chronic conditions such as high blood pressure

or diabetes. Prescription drugs you order through the mail order service are mailed directly to your home.

**NOTE:** If you are currently taking maintenance medications, you will need to submit a new prescription to Caremark in order to take advantage of the mail order feature.

Your copay for each prescription — at the pharmacy or through the mail order service, is:

- \$5 for generic drugs
- \$10 for brand name drugs.

Under the plan, generic substitution is mandatory, unless your doctor indicates "dispense as written (DAW)" on the prescription.

Caremark will send you more information about participating pharmacies and the mail order program with your prescription card.

\* The basic indemnity plan covers prescription drugs just like other medical expenses, at 70% subject to the annual deductible and coinsurance.

## DENTAL OPTIONS

**Y**ou may choose:

- Basic Dental Plan
- Basic Plus Dental Plan
- High Option Dental Plan

### BASIC DENTAL PLAN

This plan, administered by Delta Dental, pays 80% of R&C (Reasonable and Customary) charges for check-ups, teeth cleaning and periodontia services. The plan pays benefits according to a schedule for Basic and Major Restorative dental expenses. Under the schedule, the plan pays greater benefits for individuals covered as employees, and a lower level of benefits for individuals covered as dependents.

### BASIC PLUS DENTAL PLAN

This plan pays benefits in the same way as the basic plan, except that benefits for dependents are paid under the same schedule as employees. This option is only available to employees who have dependents.

### HIGH OPTION DENTAL PLAN

The high option dental plan, administered by Delta Dental, pays 100% of R&C charges for a routine exam and cleaning twice a year. If you go to a dentist who participates in the Delta Dental network, the plan pays 80% of R&C charges for covered Basic expenses and 50% of R&C charges for covered Major dental expenses. If you visit an out-of-network dentist, benefits are paid according to a schedule, which is generally higher than that of the basic options.

The chart at right lists typical reimbursements for a few common dental services.

Your Dental Options at a Glance					
Feature	Dependent Coverage Under...		Employee Coverage...	High Option	
	Basic Option	Basic Plus Option		In-Network	Out-of-Network
Annual deductible					
Preventive	\$0	\$0	\$0	\$0	\$0
Basic	0	0	0	\$25/\$75*	\$25/\$75
Major	0	0	0	\$25/\$75*	\$25/\$75
Orthodontics	\$25/year	\$25/year	\$25/year	\$50/lifetime	\$50/lifetime
Preventive & diagnostic					
Periodic oral examinations	80% R&C	80% R&C	80% R&C	100% R&C (No deductible)	100% R&C (No deductible)
Complete x-ray series					
Dental prophylaxis (adult)					
Topical application of sealant					
Basic restorative					
Amalgam restorations:					
permanent teeth—one surface	\$18**	\$20**	\$20**	80% R&C	\$24**
Root canal therapy: one canal					
not in conjunction with					
apicoectomy	\$151**	\$167**	\$167**		\$193**
Periodontics					
Gingival curettage,					
per quadrant	80% R&C	80% R&C	80% R&C	80% R&C	\$52**
Periodontal scaling &					
root planing per quadrant					\$58**
Oral surgery					
Simple extraction	\$20**	\$22**	\$22**	80% R&C	\$26**
Surgical extraction:					
soft tissue impaction	\$47**	\$52**	\$52**		\$67**
Major restorative					
Crowns – single restorations:					
Porcelain with gold	\$211**	\$230**	\$230**	50% R&C	\$275**
Cast gold – full	\$187**	\$204**	\$204**		\$251**
Orthodontics					
Preliminary study, first month					
of active treatment	75% R&C	75% R&C	75% R&C	75% R&C	\$459
Treatment after first month					\$50/mo
Annual benefit maximum	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Orthodontics	\$2,000/lifetime	\$2,000/lifetime	\$2,000/lifetime	\$2,000/lifetime	\$2,000/lifetime

\* Single deductible for both basic and major services: \$25 for individual, \$75 for family.

\*\* These figures are the amounts payable as a scheduled benefit.



## VISION CARE OPTIONS

**Y**our vision care options are:

- Basic Option
- Standard Option
- High Option

If you or your family members need eyeglasses or contact lenses, you know how expensive they can be. That's why Connectiv is pleased to offer three vision care options under *Connectiv Flex*, giving you the flexibility to elect the plan that meets your needs.

Under all of the vision options, you may receive benefits for eyeglasses or contact lenses, but not both.

FOR THE STANDARD AND HIGH OPTIONS, YOU HAVE TO CALL 1-800-432-4966  
FOR A BENEFIT FORM BEFORE SEEKING ANY SERVICES.

**Your Vision Care Options at a Glance**

Feature	Basic Option	Standard Option		High Option*	
Vision Exam	1 every 24 months	1 every 12 months		1 every 12 months	
Lenses	1 pair/12 months	1 pair/12 months		1 pair/12 months	
Frames	1 every 12 months	1 every 24 months		1 every 12 months	
Copayment/ Deductible	None	\$10*		\$5*	
		In-Network	Out-of-Network	In-Network	Out-of-Network
Vision exam	\$40	100%	\$35	100%	\$35
Clear lenses					
single vision	\$20	100%	\$20	100%	\$20
bifocal	\$30	100%	\$30	100%	\$30
trifocal	\$40	100%	\$40	100%	\$40
lenticular	\$50	100%	\$80	100%	\$80
Frames	\$14	100%—	\$24	100%	\$24
Or contact lenses					
in lieu of glasses	\$30^	\$100**	\$100**	\$125**	\$125**
medically required	\$160^	UCR**+	\$250	UCR**+	\$250

- \* Applies to the cost of lenses and/or frames but not to the exam or contacts
- o Includes coverage for items like tints, photogreys, scratch coating and UV coating
- + Usual, customary and reasonable, as determined by VBA
- ^ Per lens
- \*\* Includes the vision exam allowance
- ~ Within the plan's \$40 wholesale allowance (approximately \$90 retail)

## LIFE INSURANCE OPTIONS

While you work, your paycheck provides for your own day-to-day needs and possibly for the needs of others. But if your paycheck stops because of your death or dismemberment, your loved ones could face serious financial problems. Your *Conectiv Flex* program features a variety of life and accidental death and dismemberment (AD&D) insurance choices, giving you the flexibility to provide your family with the financial security they need.

Plus, *Conectiv Flex* gives you the opportunity to select from a range of dependent life and AD&D coverage options.

Since we all have different benefit needs, with *Conectiv Flex*, you have the opportunity to choose the level of coverage that's right for you and your family.

### YOUR EMPLOYEE LIFE INSURANCE OPTIONS

Your life insurance options are:	To a maximum of:
\$20,000	\$20,000
\$50,000	\$50,000
1 x pay	\$116,667
2 x pay	\$233,333
3 x pay	\$350,000
4 x pay	\$466,667
5 x pay	\$583,333

Under *Conectiv Flex*, you have several life insurance options from which to choose. To provide you with a basic level of protection, *Conectiv*

provides you with life insurance coverage equal to two times pay (to a maximum of \$233,333), at no cost to you. Aetna US Healthcare administers your life insurance plan.

If you elect the \$20,000, \$50,000 or 1 x pay option, you may have money left over to take in your paycheck as taxable cash. If you feel you need more than the 2 x pay option provided by *Conectiv*, you may purchase additional coverage, up to 5 x pay. The cost to you is based on your annualized salary and on your age.

The amount of your coverage is based on your previous year's W-2 form, and is rounded according to insurance company rules. If you are a new hire or have less than one full calendar year of service, your coverage amount will be based on your annualized starting salary.

Your coverage amount will not increase or decrease during the year if your salary amount increases or

#### Evidence of Insurability (EOI)

Under insurance company rules, you are required to submit evidence of insurability if you want to increase your life insurance or AD&D coverage by more than 1 x pay. At this enrollment, you can elect up to 3 x pay with no EOI. An EOI form is in the back pocket of this booklet. You may enroll for a lower amount of coverage with no restriction.

**Is Your Current Life Insurance Assigned?**

If your current life insurance is assigned (ownership of the insurance is assigned to another person or to an irrevocable trust for tax purposes) and you want that assignment to continue, you must contact the HRSC.

**Beneficiary Designation Update**

This may be a good time to update your beneficiary information. The change form is in the back pocket of this decision kit. Complete and return it to HRSC.

decreases. Note that coverage is reduced when you reach age 65, and when you retire.

Your contributions for life insurance up to \$50,000 are paid on a before-tax basis. Contributions for coverage in excess of \$50,000 are paid on an after-tax basis.

**ACCIDENTAL DEATH AND DISMEMBERMENT (AD&D) INSURANCE**

Your AD&D options are:	To a maximum of:
No coverage	—
\$20,000	\$20,000
\$50,000	\$50,000
1 x pay	\$116,667
2 x pay	\$233,333
3 x pay	\$350,000
4 x pay	\$466,667
5 x pay	\$583,333

Under *Connectiv Flex* you may elect AD&D coverage between \$20,000 and 5 x pay. *Connectiv* automatically provides you with AD&D coverage equal to 2 x pay, at no cost to you. If you elect a lesser amount of AD&D coverage, you may have dollars left over that you can take in your paycheck as taxable cash. If you elect a greater amount of coverage, your contributions are deducted from your pay on a *before-tax* basis.

The cost is based on your salary. See the life insurance section to see how your coverage amount is determined. Your AD&D coverage is administered by Aetna US Healthcare. Note that your coverage amount is reduced when you reach age 65.

**DEPENDENT LIFE AND AD&D INSURANCE OPTIONS**

*Connectiv Flex* gives you the flexibility to elect life and AD&D insurance for your spouse and children. No evidence of insurability is required. Aetna US Healthcare administers this coverage.

**Dependent Life Insurance**

You may elect...

For Your Spouse	For Your Child(ren)
No coverage	No coverage
\$5,000	\$2,500
\$10,000	\$5,000

If you elect this coverage, you pay the cost through after-tax payroll deduction. You pay one contribution for eligible child(ren)'s coverage, regardless of how many children you have.

**Dependent AD&D**

You may elect...

For Your Spouse	For Your Child(ren)
No coverage	No coverage
\$50,000	\$5,000
\$100,000	\$10,000
\$150,000	\$15,000

If you elect AD&D coverage for your spouse and/or child(ren), you pay the cost through *before-tax* payroll contributions. No evidence of insurability is required for any level of coverage.

## REIMBURSEMENT ACCOUNTS

**B**eginning January 1, 1999, you'll be able to choose:

- Health Care Reimbursement Account (HCRA), and/or
- Dependent Care Reimbursement Account (DCRA)
- No participation

Under IRS rules, the Health Care and Dependent Care Reimbursement Accounts are administered on a calendar year basis. Therefore, no HCRA or DCRA elections will be made at this time. You will have an opportunity to make HCRA and DCRA elections during the fall open enrollment for participation beginning January 1, 1999.

With a little advance planning, the *Connectiv Flex* Reimbursement Accounts can be a valuable addition to your benefit program. Connectiv's reimbursement accounts are optional benefits that let you save taxes on money you spend for certain health care and dependent care expenses. You don't pay federal income, Social Security, or Medicare taxes (and, in most cases, state income taxes) on amounts you contribute to the HCRA and DCRA. This means you pay less in taxes and can increase your spendable income when you pay eligible expenses through the accounts.

### HOW REIMBURSEMENT ACCOUNTS WORK

Reimbursement Accounts are a *tax-free* way to pay for certain health care and dependent care expenses. During the fall open enrollment, you will be able to set up one or both reimbursement accounts — or, you will be able to choose not to participate in the reimbursement accounts at all.

- You use a health care reimbursement account (HCRA) to pay health care expenses not reimbursed through another benefit plan, such as your medical, dental and vision plans.
- The dependent care reimbursement account (DCRA) covers eligible expenses for the care of a child (or a disabled dependent of any age) while you work. (Note for Delmarva employees: Formerly called "Child Care Voucher.")

You decide how much to deposit into each account. The amount you choose is deducted from each paycheck and set aside in your account(s). When you have a bill for one of these qualified expenses, you pay it as usual. Then you submit a claim for reimbursement from the money you've set aside in your account, and the money is reimbursed to you, tax free.

You will receive more information before the fall enrollment.

## PREPARING TO MAKE YOUR CONECTIV FLEX CHOICES

**T**his section of your decision kit is specially designed to help you make your benefit choices and enroll in the program. In this section you will find:

- a list of issues you'll want to consider before you make your elections,
- sample Personal Fact Sheet to help you make your elections, and
- step-by-step instructions for enrolling in *Conectiv Flex* by phone.

Be sure you understand the *Conectiv Flex* program before choosing your options. The benefit comparison charts in the medical, dental and vision sections and the "options at a glance" chart in this section may also be of help to you. Use your *Conectiv Flex* Personal Fact Sheet to make your selections before you enroll by phone. After reading your decision kit, if you have questions or need additional information, contact the Conectiv Human Resources Service Center.

### ISSUES TO CONSIDER BEFORE MAKING YOUR CHOICES

**Medical Plan**—To help you decide which medical plan option to choose, review your medical expenses for the last year, and weigh your need for protection against the cost of coverage.

You will find that the POS option provides a high level of benefits when you use your primary care physician to coordinate all of your care. That's because your PCP will get to know you and make sure that the health care you receive is appropriate and coordinated. Preventive benefits are available after you pay a copay.

On the other hand, if having more freedom to choose your own doctors and other health care providers is important to you, you may be willing to pay a higher up-front cost for the standard indemnity plan.

Choose the basic (catastrophic) indemnity plan *only* if you have other coverage, or if you think you can afford the deductible and coinsurance. Remember, benefits under this plan are generally payable only in the case of an unexpected, catastrophic illness.

Because of its preventive care benefits, an HMO may be right for you if you are generally healthy, and if you have young children who need to visit the doctor fairly regularly. You may also want to elect the HMO if your regular family doctor belongs to the HMO network — or if you do not have a regular family doctor.

Before you make your decision about medical coverage, ask yourself:

- How healthy am I? How healthy are my dependents?
- Am I expecting any major health care expenses in 1998-99 — for example, a new baby?
- Does my spouse have medical coverage provided by an employer and has he or she signed up for it?
- How much would it cost for my spouse to cover me under his or her employer's plan?
- How does my spouse's medical plan compare with the option I'm considering?
- How much in medical expenses (such as deductibles and copayments) can I afford to pay out of my own pocket?
- Is my doctor part of the POS or HMO network? If not, am I willing to change doctors?

**Dental Plan** — Review your dental expenses for the last year, and ask yourself:

- How much do I generally pay for oral exams or cleanings?
- Do I generally have significant dental expenses?
- Can I afford to pay for unexpected dental costs out of my own pocket?
- Can my spouse cover me through his or her dental plan at work? At what cost?

**Vision**—If you or any of your covered family members need corrective lenses, the Vision Plan offers significant savings for you.

- Do my family and I generally have significant vision care expenses?

**Life and AD&D Insurance**—You'll need to decide how much life insurance protection you need. If you have life insurance coverage elsewhere, you may want to elect the \$20,000 or \$50,000 option. If you are single with no dependents, one times pay may be enough for you. But if your family depends on your income, you may want additional life insurance coverage.

Ask yourself:

- What portion of regular family living expenses does my pay cover?
- Who depends on me for support — now and in the future?
- What debts (such as a mortgage) might my family be responsible to pay if I die?
- What about education expenses for my children?
- Would my family have any other sources of survivor income (such as individual life insurance policies, personal savings)?

*Dependent Life and AD&D Insurance*

— Ask yourself:

- What expenses would I have if my spouse or child were to die?
- What resources do I have to pay these expenses?
- What other family life insurance coverages do I have?
- What are the ages, health and other risk factors of my spouse and/or children?

**Life Insurance Worksheet**

Use the worksheet below to estimate the amount of life insurance you need.

<b>Estimated Expenses – Life Insurance</b>	
Enter your family's total annual estimated living expenses multiplied by the estimated number of years these expenses would need to be covered if you die	\$ _____
Plus major debts, such as your mortgage	\$ _____
Plus anticipated children's education costs	\$ _____
<b>TOTAL</b>	\$ _____
Multiply your total above times the percentage of family income you provide	X _____
Total survivors' income needs	\$ _____
Subtract estimated death benefits from any other source	- _____
<b>TOTAL LIFE INSURANCE PROTECTION NEEDED</b>	\$ _____



**Your 1998-99 *Conectiv Flex* Benefit Options at a Glance**

Medical	POS Standard Indemnity Plan Basic (Catastrophic) Indemnity Plan HMO	
Dental	Basic Option Basic Plus Option High Option	
Vision	Basic Option Standard Option High Option	
Employee Life Insurance	\$20,000 \$50,000 1 x pay 2 x pay 3 x pay 4 x pay 5 x pay	<i>To a maximum of:</i> \$20,000 \$50,000 \$116,667 \$233,333 \$350,000 \$466,667 \$583,333
Employee AD&D (Accidental Death & Dismemberment)	No coverage \$20,000 \$50,000 1 x pay 2 x pay 3 x pay 4 x pay 5 x pay	<i>To a maximum of:</i> \$20,000 \$50,000 \$116,667 \$233,333 \$350,000 \$466,667 \$583,333
Dependent Life Insurance	Spouse No coverage \$5,000 \$10,000	Child No coverage \$2,500 \$5,000
Dependent AD&D	Spouse No coverage \$50,000 \$100,000 \$150,000	Child No coverage \$5,000 \$10,000 \$15,000

*Got Questions About Total Rewards? Need Help?*

## **Call the Conectiv Human Resource Service Center—HRSC**

Getting prompt, confidential answers to your Total Rewards questions is as easy as dialing 1-800-201-4718.

Hours for HRSC are 7:30 a.m. to 5:30 p.m.,  
Monday through Friday.

*Then It's As Easy As 1-2-3-4-0*

When you dial 1-800-201-4718, you will be given the following five options:

- **Press 1** for a list of carriers and their phone numbers.
- **Press 2** if you want to enroll for *Conectiv Flex* (you'll be transferred to FlexPhone).
- **Press 3** for the HRSC fax numbers and mailing address.
- **Press 4** for the HRSC e-mail address.
- **Press 0** if you want to speak to a Service Center Representative.

If you Press 0, the Service Center Representative who answers your call will ask you to identify yourself – for example, by providing your Social Security number – in order to assure confidentiality.

## ENROLLING IN CONECTIV FLEX

**Y**our *Conectiv Flex* Personal Fact Sheet, included with this decision kit, contains information about your flexible benefit options and costs. On your Fact Sheet, circle the options and coverage levels you want.

Also check all Dependent Data at the end of your Fact Sheet, and circle the dependents you want covered under specific plans. You will need to enter this information at the same time you enroll for your flexible benefits.

To receive the benefits  
you want for 1998/99

Call FlexPhone

May 18 to Midnight, May 31st

24 hours a day

1-800-451-8026

### IF YOU FAIL TO ENROLL...

If you fail to enroll for your 1998-99 benefits by midnight, May 31st, you will receive the following default benefits:

Standard indemnity medical plan, basic option dental and standard option vision plan for you ONLY; 2 x pay employee life and AD&D insurance; no dependent life and AD&D coverage. Your current HCRA and DCRA (formerly Child Care Voucher for Delmarva employees) election (if applicable) will continue.

**Note:** This default provision does not mean that you will continue with your current coverage if you do not enroll.

### ENROLLING THROUGH FLEXPHONE

Everyone must enroll  
by FlexPhone.

*First*, check the Dependent Data at the end of your Personal Fact Sheet. *If you want to cover any of your dependents, you will have to enter that information at the time you enroll using FlexPhone.* Look for a Dependent Worksheet in the back pocket of this booklet. It explains how to enter dependent information using a touch-tone phone.

*Second*, complete your Personal Fact Sheet. Once you are satisfied that all your choices are final, you're ready to call the FlexPhone enrollment system. Try to call when you have about ten minutes of uninterrupted time.

*For quick and easy enrollment, keep your Fact Sheet and Dependent Worksheet (if you're entering dependent data) in front of you as you enroll.* You will need the information you filled out on your Fact Sheet plus your Social Security Number and PIN, both printed at the top of your Fact Sheet, in order to enroll. Do not mail in your Personal Fact Sheet.

- Call FlexPhone 24 hours a day (1-800-451-8026) from any touch-tone phone.
- When you call, the FlexPhone system will prompt you through the enrollment process. The system will repeat to you each election you make and will ask for your verification.

- If at any time during the enrollment period you would like to change or confirm your elections, you can call the FlexPhone system.
- You will receive a confirmation statement verifying your benefit choices after the first week in June.
- To complete the process of enrolling in the POS or an HMO, you will need to select a primary care physician on the form in the pocket of this kit and return it to the HRSC. POS and HMO information and provider directories are available at your work location.
- If your life insurance election requires evidence of insurability (EOI), please complete the evidence of insurability form in the pocket of this folder and return it to the HRSC. Your higher coverage will not go into effect until your EOI has been approved.

### Qualifying Life Event

Every year, during the annual enrollment period, you'll have an opportunity to make new benefit choices for the following plan year (July 1 to June 30). Under IRS rules, you may change or cancel benefit coverage for yourself or your family members during the plan year *only* in the case of a "qualifying life event." A qualifying life event includes:

- marriage or divorce,
- birth or adoption of a child,
- your spouse gaining or losing coverage because of a change in employment,
- death of a family member,
- change in employment status,
- relocation out of POS or HMO service area.

To make a change in your coverage because of a qualified life event, you *must* contact the HR Service Center within 30 days of the change or you will need to wait until the next open enrollment.

### MAKING CHANGES

You may call FlexPhone to make changes during the enrollment period as many times as you wish until the end of the enrollment period — 12:00 midnight, May 31, 1998. Each time you call, you will be asked to enter your Social Security Number and PIN, which is on your Personal Fact Sheet.

Remember, the elections you make now will be effective from July 1, 1998, through June 30, 1999, and cannot be changed except in the case of a qualifying life event, as explained to the left.

SAMPLE, JANE  
200 Main Street  
EGG HARBOR, NJ 08215



1998-99 Conectiv Flex

## Your Personal Fact Sheet

Please refer to your Decision Kit for a completed sample Personal Fact Sheet.

### Personal Information

Name: JANE SAMPLE  
Social Security No.: 666-66-6566  
Birth Date: 03/19/1941  
Benefit Status: Full-Time  
Pay Frequency: Weekly  
Effective Date: 07/01/1998  
Marital Status: Married  
Management Level: Management

FlexPhone Telephone Enrollment Line is  
1-800-451-8026

Your PIN is 0319

Your Enrollment Deadline is 05/31/1998

If you do not enroll by your enrollment deadline

#### YOU WILL RECEIVE

Standard Indemnity Medical for you only  
Basic Dental for you only  
Standard Vision for you only  
Employee Life coverage of 2 times pay  
Employee AD&D coverage of 2 times pay

#### YOU WILL NOT RECEIVE

Spouse Life coverage  
Child Life coverage  
Spouse AD&D coverage  
Child AD&D coverage

Circle your Option and Coverage Code choices, then call FlexPhone to enter your choices.

### (01) Medical Plan

Option Codes		Per Pay Period Price			
		Coverage codes			
		(1) Employee Only	(2) Employee + Spouse	(3) Employee + Child(ren)	(4) Employee + Family
(01)	Basic Indemnity	\$ (4.62)	\$ (4.62)	\$ (4.62)	\$ (4.62)
(02)	Standard Indemnity	\$ 9.23	\$ 16.38	\$ 16.38	\$ 22.62
(03)	BCBS POS	\$ 8.31	\$ 14.77	\$ 14.77	\$ 20.31
(04)	Principal POS - DE, MD	\$ 6.92	\$ 14.54	\$ 14.54	\$ 19.62
(05)	AtlantiCare HMO - New Jersey	\$ 6.46	\$ 13.38	\$ 12.46	\$ 20.08
(06)	Aetna US Healthcare HMO - Philadelphia	\$ 6.46	\$ 14.54	\$ 12.23	\$ 19.15
(07)	Aetna US Healthcare HMO - New Jersey	\$ 6.92	\$ 14.54	\$ 13.15	\$ 21.23
(08)	Aetna US Healthcare HMO - Central PA	\$ 5.31	\$ 12.00	\$ 10.15	\$ 15.92
(09)	Aetna US Healthcare HMO - Maryland	\$ 6.92	\$ 14.31	\$ 14.31	\$ 19.15

If you are making a new HMO or POS election, you must complete the Primary Physician Information Sheet contained in your Decision Kit.

### (02) Dental Plan

Option Codes		Per Pay Period Price	
		Coverage codes	
		(1) Employee Only	(4) Employee + Family
(01)	Basic	\$ 0.00	\$ 0.00
(02)	Basic Plus	\$ N/A	\$ 0.65
(03)	High	\$ 1.62	\$ 3.69

### (03) Vision Plan

Option Codes		Per Pay Period Price	
		Coverage codes	
		(1) Employee Only	(4) Employee + Family
(01)	Basic	\$ (0.23)	\$ (0.23)
(02)	Standard	\$ 0.00	\$ 0.00
(03)	High	\$ 1.15	\$ 2.31

Continue to other side

**(04) Employee Life Insurance**

Option Codes	Per Pay Period Price
(01) \$20,000	\$ (12.47)
(02) \$50,000	\$ (9.22)
(03) 1 times pay (\$ 67,500)	\$ (7.32)
(04) 2 times pay (\$135,000)	\$ 0.00
(05) 3 times pay (\$202,500)	\$ 7.32
(06) 4 times pay (\$270,000)	\$ 14.64
(07) 5 times pay (\$337,500)	\$ 21.96

\* Evidence of insurability is required for these options.

**(05) Spouse Life Insurance**

Option Codes	Per Pay Period Price
(00) No Coverage	\$ 0.00
(01) \$5,000	\$ 0.40
(02) \$10,000	\$ 0.81

**(06) Child Life Insurance**

Option Codes	Per Pay Period Price
(00) No Coverage	\$ 0.00
(01) \$2,500 per child	\$ 0.06
(02) \$5,000 per child	\$ 0.12

**(07) Employee AD&D**

Option Codes	Per Pay Period Price
(00) No Coverage	\$ (0.78)
(01) \$20,000	\$ (0.66)
(02) \$50,000	\$ (0.48)
(03) 1 times pay (\$ 67,500)	\$ (0.39)
(04) 2 times pay (\$135,000)	\$ 0.00
(05) 3 times pay (\$202,500)	\$ 0.39
(06) 4 times pay (\$270,000)	\$ 0.78
(07) 5 times pay (\$337,500)	\$ 1.17

\* Evidence of insurability is required for these options.

**(08) Spouse AD&D**

Option Codes	Per Pay Period Price
(00) No Coverage	\$ 0.00
(01) \$50,000	\$ 0.20
(02) \$100,000	\$ 0.39
(03) \$150,000	\$ 0.59

**(09) Child AD&D**

Option Codes	Per Pay Period Price
(00) No Coverage	\$ 0.00
(01) \$5,000 per child	\$ 0.02
(02) \$10,000 per child	\$ 0.04
(03) \$15,000 per child	\$ 0.06

Your 1998 reimbursement account election(s) will continue through 12/31/1998.

**(10) Health Care Reimbursement Account**

Your 1998 contribution amount is \$0.00.  
You are not eligible to change your election.

**(11) Dependent Care Reimbursement Account**

Your 1998 contribution amount is \$0.00.  
You are not eligible to change your election.

Total positive Per Pay Period Prices  
(dollar amounts not in parentheses)

16.38

A positive result will be deducted from your pay each pay period. A negative result will be returned to you each pay period as taxable pay.

LESS total negative Per Pay Period Prices  
(dollar amounts in parentheses)

(8.10)

You can add or correct dependent data by calling FlexPhone. REMEMBER, you must use FlexPhone to enroll your dependents in Medical, Dental, or Vision coverage.

RESULT

8.28

**Dependent Data**

No.	Name	Soc Sec No.	Birth Date	Relationship	Gender	Medical Covg?	Dental Covg?	Vision Covg?
01	SAMPEE, SPOUSE	111-11-1111	11/05/1967	Spouse	M	N	N	N
02	SAMPLE, CHILD 1	222-22-2222	06/25/1990	Child	M	Y	N	N
03	SAMPLE, CHILD 2	333-33-3333	08/07/1993	Child	F	Y	N	N

## CHOICEREWARDS

**C**hoiceRewards gives you the opportunity to select additional benefits at competitive prices. The program is completely voluntary and offers the convenience of payroll deduction.

ChoiceRewards will be sending you more information about these services.

These are the services that are available to you through the ChoiceRewards Program:

**Auto Services:**

- Automobile Insurance
- Auto Club

**Home Services:**

- Homeowners Insurance
- Mortgages
- Home Equity Loans

**Financial Services:**

- Pre-Paid Legal Services
- Mutual Funds
- Universal Life Insurance
- Salary Continuation
- Cancer Insurance

**Personal Conveniences:**

- Internet Access
- Pet Insurance



## NEW CASH BALANCE PENSION PLAN

**T**he new pension plan will go into effect on January 1, 1999.

The "cash balance" pension plan is a new concept that has two important advantages: it's *easier to understand* than the former plans, and it's totally "*portable*." Both these features support our goal of designing a benefits package that meets the needs of today's more independent, more mobile workforce.

### BENEFIT EASIER TO UNDERSTAND

The way the new pension plan works is simple. Each year the company credits your individual pension account with a cash contribution equal to a percentage of your total pay, including overtime and bonus. Throughout your Conectiv career, your account grows through additional yearly company contributions, plus interest. When you retire, the current cash value of your account is yours.

Over the years, as you watch your pension account grow, you'll have a

clearer idea of your own financial position. And you'll be better able to plan for your future.

### PORTABILITY A PLUS

Today, people who work for a single company throughout their careers are in the minority. So being able to transfer accumulated pension credit from one employer to the next is an important plus.

With the new cash balance plan, if you leave Conectiv after you have completed five years of service and are vested, you can transfer your pension account either to your new employer's plan or to your own IRA. Taxes are deferred on the transfer, so your full account can continue growing for the rest of your working years.

### COMPANY CONTRIBUTIONS AND INTEREST

Conectiv credits all the contributions to your cash balance pension account. These contributions are based on a percentage of your *total pay, including* overtime and bonuses. Contributions increase with age, as shown below.

Annual Company Pension Contributions			
Age	Pension Credit (% of Pay)	Age	Pension Credit (% of Pay)
Under 30	5%	40 to 44	8%
30 to 34	6%	45 to 49	9%
35 to 39	7%	50 and over	10%

Annual Transition Credits			
Service as of 1/1/99	Transition Credit (% of Pay)	Service as of 1/1/99	Transition Credit (% of Pay)
10 to 11 years	1%	16 to 19 years	3%
12 to 15 years	2%	20 years or more	4%

You are not required or permitted to contribute to the pension plan.

The company also credits your account with *interest* each year based on the current 30-year U.S. Treasury bond rate. This rate changes based on economic conditions. Currently, it is about 6%. Historically, it has averaged about 8%.

#### CONVERSION TO THE NEW PENSION PLAN

Benefits already earned under the former DPL and AE pension plans are *fully protected*, and will be converted to an equivalent cash amount as of the plan's effective date. This will form your "starting balance" under the new plan.

Your starting balance will, in essence, provide you with the lump sum amount you would need today to purchase a lifetime annuity equal to the benefit you've earned to date under your former pension plan. The conversion formula will take into account the value of any early retirement and survivor benefits which are part of the current plans.

Later this year, you'll receive a personalized pension statement showing your lump sum "starting balance" under the new plan.

#### TRANSITION CREDITS WITH TEN OR MORE YEARS' SERVICE

If you have completed between ten and 35 years of service with DPL or AE as of January 1, 1999 (the new plan's effective date), you will also be eligible for annual *transition credits*. This means the company will contribute an *additional* amount to your pension account *each year*. Your transition credit percentage depends on your completed service as of January 1, and remains constant until you have completed 35 years of service. At that point, transition credits stop.

For example, if you have completed 13 years of service as of January 1, 1999, the company will make an additional contribution of 2% of your total pay to your account *every year* until you complete 35 years of service.

#### "GRANDFATHER" PROTECTION FOR OLDER AND LONG SERVICE EMPLOYEES

Of course, many employees have already worked for most of their careers under the former "final pay" pension plans. For this reason, two groups of people will also continue to be covered by their former plans for the next ten years. They are employees who, as of January 1, 1999:

- have completed at least 20 years of service, or
- are age 50 or older

If a "grandfathered" employee retires within ten years after the new plan takes effect, his or her pension will be calculated under both the former and new plans, and the employee will receive whichever value is greater. At the end of the ten-year period, former plan benefits will be frozen.

#### PAYMENT OPTIONS AT RETIREMENT

The new pension plan also gives you a great deal of flexibility when you retire. You may take the full value of your pension in a single lump sum, which you may then roll over, tax deferred, into the investment vehicle you select. Or you may elect guaranteed lifetime monthly payments for yourself or you and your spouse (an "annuity").

#### SURVIVOR BENEFITS

The new pension plan provides another advantage in case of your death after you are vested but before retirement. Under the former plans, survivor benefits were payable only to a spouse, and then in an amount equal

to about *half* of your accrued benefit. With the new plan, the *entire cash value* of your pension account would be paid to your beneficiary who, with your spouse's consent, can be anyone you name.

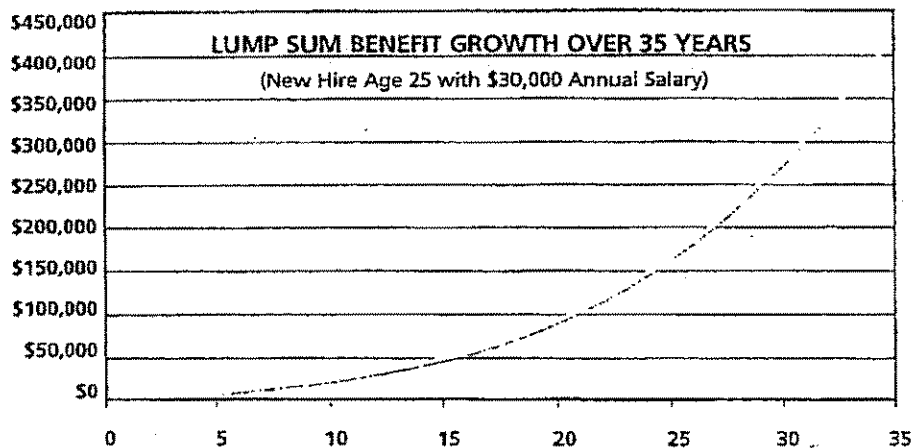
#### ANNUAL STATEMENTS

Each year, you'll receive a personal statement of your cash balance pension account which will show the company's contribution credits (basic amount plus any transition credits), interest credit and total balance, so you'll be able to watch the progress of your account over the years.

#### EXAMPLE

The graph below will give you an idea of how your cash balance pension account can grow over your career with Conectiv.

The example assumes that the employee is hired at age 25 with starting annual pay of \$30,000; that pay grows at an average of 3% per year over the employee's 35 year career; and that the company credits the employee's account with annual



<b>New "Cash Balance" Pension Plan at a Glance</b>	
Company Contributions	<ul style="list-style-type: none"> <li>• Credited annually to your account based on a percentage of pay</li> <li>• Age-related percentage ranges from 5% to 10%</li> </ul>
Interest	Credited each year based on the 30-year U.S. Treasury bond rate at the time
Conversion to New Plan	<ul style="list-style-type: none"> <li>• Benefits accrued under DPL and AE pension plans to be converted to a cash equivalent starting balance under new plan</li> <li>• Starting balance also credited with interest annually (see above)</li> </ul>
Transition Credits	With 10 to 35 years of service as of 1/1/99, you receive an additional annual company contribution of 1% to 4% of pay
Vesting	Upon completion of five years of service (including service with DPL and AE)
Portability	Totally portable; current value of your account is yours if you leave Conectiv after you are vested
Survivor's Benefit	Full current value of your account is paid to your spouse or beneficiary if you die while actively employed
Payment options at retirement	Lump sum cash option or several lifetime monthly payment options (annuities); cash option can be rolled over to an IRA to continue tax deferral

pension credits based on age and with average annual interest of 7%.

After 35 years, this employee would accumulate a pension account of \$423,699. This could be taken, at the employee's option, either as a single cash amount, or as a guaranteed lifetime income of about \$3,229 per month.

If the employee leaves the company at any time after becoming vested (that is, after five years of service), he or she can then transfer the account to a new employer's pension plan, if available, or to an IRA. In this

example, the amount that could be transferred is \$25,486 after ten years or \$96,949 after 20 years. The employee's pension account could then continue growing, tax deferred, until the employee retires.

#### **Maximum Limit on Benefits**

The new plan also limits maximum benefits to no more than 650% of an individual's final five-year average pay (subject to further IRS limits on maximum benefits).

Post-Retirement Medical Coverage—Out-of-Pocket Features			
	Indemnity		Point-of-Service
	Single	Family	
Annual deductible	\$150	\$300	None
Co-insurance	90-100%	90-100%	None
Annual out-of-pocket maximum	\$750	\$1,200	None

## OTHER BENEFITS AFTER RETIREMENT

### Medical Coverage

You will be eligible to participate in Conectiv's retiree medical plan if you retire at age 55 or older with 15 years of service. You and the company will share the cost of your medical coverage.

You may also retire between ages 50 and 55 with 15 years of service and still be eligible for company-sponsored coverage when you reach age 55. Between 50 and 55, you may either elect to participate in the company's medical plan by paying the full cost of coverage yourself, or provide evidence that you have coverage elsewhere (for example, through a spouse's plan). When you reach age 55, Conectiv will begin contributing toward your retiree coverage, but you will pay an additional 3% per year of the total premium for each year before age 55 that you retired.

At retirement, you'll have a choice of medical plans similar to what is available to active employees—an indemnity plan, a point-of-service plan, and an HMO (if available in your area). Prescription drug coverage will also be available.

Monthly contributions for retiree coverage will be similar to those for active employees. Ultimately, however, Conectiv will limit its annual contributions to \$8,700 per retiree for pre-65 coverage and \$1,400 for post-65 coverage. Retirees will pay any cost in excess of these limits.

### Life Insurance

If you retire from Conectiv, you will also be eligible for life insurance benefits throughout retirement. After you retire, your life insurance benefits continue in a reduced amount.

## 401(K) SAVINGS PLAN

**T**he 401(k) plan, with its automatic, tax-deferred saving feature, company match and investment options, is an important part of the Conectiv retirement benefits package. Today, many employees are building a strong financial future for themselves by participating actively in the plan.

### YOUR SAVINGS OPTIONS

You may contribute up to 15% of base pay on a before-tax basis and up to 15% on an after-tax basis, but not more than 20% of base pay in total. And you can change your savings rate as your need and ability to save changes.

### COMPANY MATCH

The Company will match 50% of the first 6% of base pay that you save, in the form of Conectiv stock. Making the match in stock helps reinforce one

of Conectiv's key goals for our Total Rewards Program—linking employees' interests with the Company's business success. In other words, the better we do financially, as reflected in Conectiv's stock price, the better you will do, too.

### NEW INVESTMENT CHOICES

The new 401(k) plan will offer a broad range of investment choices. The Vanguard Group, one of the country's largest and most respected mutual fund companies, will be responsible for maintaining account records as well as managing most of the investment funds.

Investment options will include both fixed income and diversified equity funds. In addition, you will have the choice of investing your account in two "life strategy" funds that automatically apportion your account among several different funds according to your investment goals.

New 401(k) Investment Options	
<b>Stock Funds</b> <ul style="list-style-type: none"> <li>• Vanguard Index Trust—500 Portfolio*</li> <li>• T. Rowe Price International Stock</li> <li>• Baron Asset Fund</li> <li>• Vanguard/PRIMECAP</li> <li>• Vanguard/Windsor II</li> <li>• Vanguard Growth and Income Portfolio</li> </ul>	<b>Asset Allocation Funds</b> <ul style="list-style-type: none"> <li>• Vanguard LifeStrategy Portfolio—Growth Portfolio</li> <li>• Vanguard LifeStrategy—Moderate Growth Portfolio</li> </ul>
	<b>Fixed Income Funds</b> <ul style="list-style-type: none"> <li>• Vanguard Bond Index—Total Bond Market Portfolio</li> <li>• Vanguard Retirement Savings Trust</li> <li>• Stable Value Fund (frozen for AE employees only; no new contributions permitted)</li> </ul>

\* "Standard and Poor's 500," "S&P 500®," "Standard & Poor's®," "S&P®," and "500" are trademarks of the McGraw Hill Companies, Inc.

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Later this spring, you will receive information about the new investment funds, including how your current account will be transferred to the new funds. Vanguard will automatically transfer your investment in current funds to comparable new funds, with no tax liability at transfer. You will then be free to make any investment changes you want.

#### OTHER PLAN FEATURES

You will continue to have access to portions of your account while you are actively employed through the loan and withdrawal features of the plan. As you know, to protect the tax-deferred advantages of the plan, federal tax law dictates the circumstances under which you can withdraw or borrow funds, so these features of the plan will not change.

401(k) Savings Plan at a Glance	
<b>Your Savings</b>	1% to 20% of base pay (up to 15% on a before-tax basis and up to 15% on an after-tax basis, but not more than 20% in total)
<b>Company Match (made in the form of Conectiv stock)</b>	50% of the first 6% of base pay you save
<b>Investment Choices</b>	A broad range of diversified investment choices will be available, along with frequent opportunities to change your investment mix
<b>Transition</b>	Current account to be transferred automatically to new investment options with similar risk and reward characteristics
<b>Vesting</b>	You are always fully vested in the current value of your account
<b>Portability</b>	Totally portable; your account is yours if you leave Conectiv
<b>Survivor's Benefit</b>	Current value of account paid to your beneficiary in case of your death
<b>Benefit at Retirement</b>	Current value of account can be rolled over into an IRA to continue tax deferral.

## TOTAL CASH COMPENSATION

**A**t Conectiv, you are assured of a competitive pay package that lets you share in Conectiv's financial success when we meet our annual goals.

### BASE PAY

Conectiv has made sure that our *base pay levels are competitive* with what is being paid for similar jobs in general industry in the areas in which we operate. Conectiv management is closely involved in establishing your "competitive base opportunity"—that is, the potential base salary for your job over time, given sustained solid individual performance.

### VARIABLE PAY

In addition, all employees who do not participate in the management or Business Group bonus plans will participate in Conectiv's *Variable Pay Opportunity*. Variable Pay helps all of us focus on Conectiv's key business goals, and gives you the chance to share in the Company's success when we achieve those goals.

### Payouts Based on Achievement of Business Goals

Variable Pay can provide you with an annual bonus of between 1% and 3% of your base pay depending on how well we achieve Corporate and Business Group goals.

Here's a quick look at how Variable Pay works:

- 1) At the start of each year, Conectiv will set three levels of Corporate earnings goals. We must at least meet the minimum goal (or "trigger") in order to generate any plan bonuses at all. Greater achievements will result in a higher total bonus pool to be shared among participating employees.
- 2) To support achievement of the Corporate goal, Business Groups also set three or four measurable goals at the beginning of the year. Business Group goals are "weighted" to indicate the relative importance of each goal. (For example, Goal #1 might be worth 50%, while Goals #2 and #3 might be worth 25% each.) Total weightings equal 100%.
- 3) Throughout the year, you'll be kept informed about how well we are performing against our Business Group and Corporate goals.
- 4) Corporate results against goals will determine the amount of the total bonus pool—no payout if we do not meet the "trigger" or minimum goal, and a Corporate "earnings multiplier" of up to three if we achieve the maximum earnings goal.
- 5) Business Group results against goals are also determined. The Corporate earnings multiplier is applied to each to come up with the Variable Pay bonus for each individual in that Group.

**EXAMPLE**

Here's an example of how the calculation is done:

Corporate Earnings Goal ("Income Available for Common Stock")	Corporate Earnings Multiplier
Below \$155 million	No payout
\$155 to \$181 million	1x
\$181 to \$189 million	2x
Over \$189 million	3x

The appropriate Corporate earnings multiplier (0 to 3) is applied to the Business Group's goals. For example, if Corporate earnings are

Business Group Goals	Results	Weight	Corporate Earnings Multiplier	Employee's Bonus (as % of base pay)
Goal #1	Achieved	50%	3	1.50%
Goal #2	Achieved	25%	3	.75%
Goal #3	Not achieved	25%	3	0%
Total				2.25%

\$195 million, the award calculation is as follows:

All eligible employees in this unit would receive a Variable Pay bonus equal to 2.25% of pay—\$900 for someone who earns \$40,000.

Variable Pay bonuses can be paid in the form of either cash or stock, as you elect.

## PAID TIME OFF

**Y**our vacation, sick leave and disability income plans will continue unchanged until January 1, 1999.

### HOLIDAYS

Beginning in 1999, Conectiv will observe 12 paid holidays each year. The precise split between fixed and floating days is still to be finalized. Here is an example of a possible outcome:

- New Year's Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day
- Day After Thanksgiving
- Christmas Eve
- Christmas Day
- plus four floating holidays to use as you choose.

You are entitled to the full amount of vacation as of the beginning of the year in which a service anniversary falls. For example, if you will complete six years of service in October, you are eligible to use your three weeks' vacation at any time from the preceding January on.

### SICK LEAVE AND DISABILITY

Your current sick leave and disability plans will continue through 1998. Details of the new plans have not been finalized. As soon as they are, we will give you the details.

### VACATION

The annual paid vacation schedule is as follows:

After completing this length of service:	You are entitled to this paid vacation each year:
1 year	2 weeks
5 years	3 weeks
15 years	4 weeks
23 years	5 weeks
30 years	6 weeks

## EDUCATIONAL ASSISTANCE

To encourage you to pursue higher education that is related to your career with Conectiv, the company will sponsor an Educational Assistance Plan.

The course or degree you choose must be:

- related to the business and to your career development plan;
- offered by an accredited institution (self-study, technical and electronic medium courses are included); and
- approved by your immediate manager.

If you successfully complete the course by earning a "C" or equivalent grade or better, the company will reimburse 80% of the cost of tuition, books, software and fees (100% if the course is required to maintain your current position).

Details of the Educational Assistance Plan can be obtained from your manager or the HRSC.

This plan will become effective on July 1, 1998, for first-time users, and on January 1, 1999, for those currently enrolled in classwork.

This decision kit covers only the highlights of your Conectiv Total Rewards Program. While we have tried to be as accurate as possible in developing this kit, the official plan documents govern in all cases.

Conectiv intends to continue these plans but reserves the right to change or end them at any time. Participation in these plans does not imply a contract of employment.



*Got Questions About Total Rewards? Need Help?*

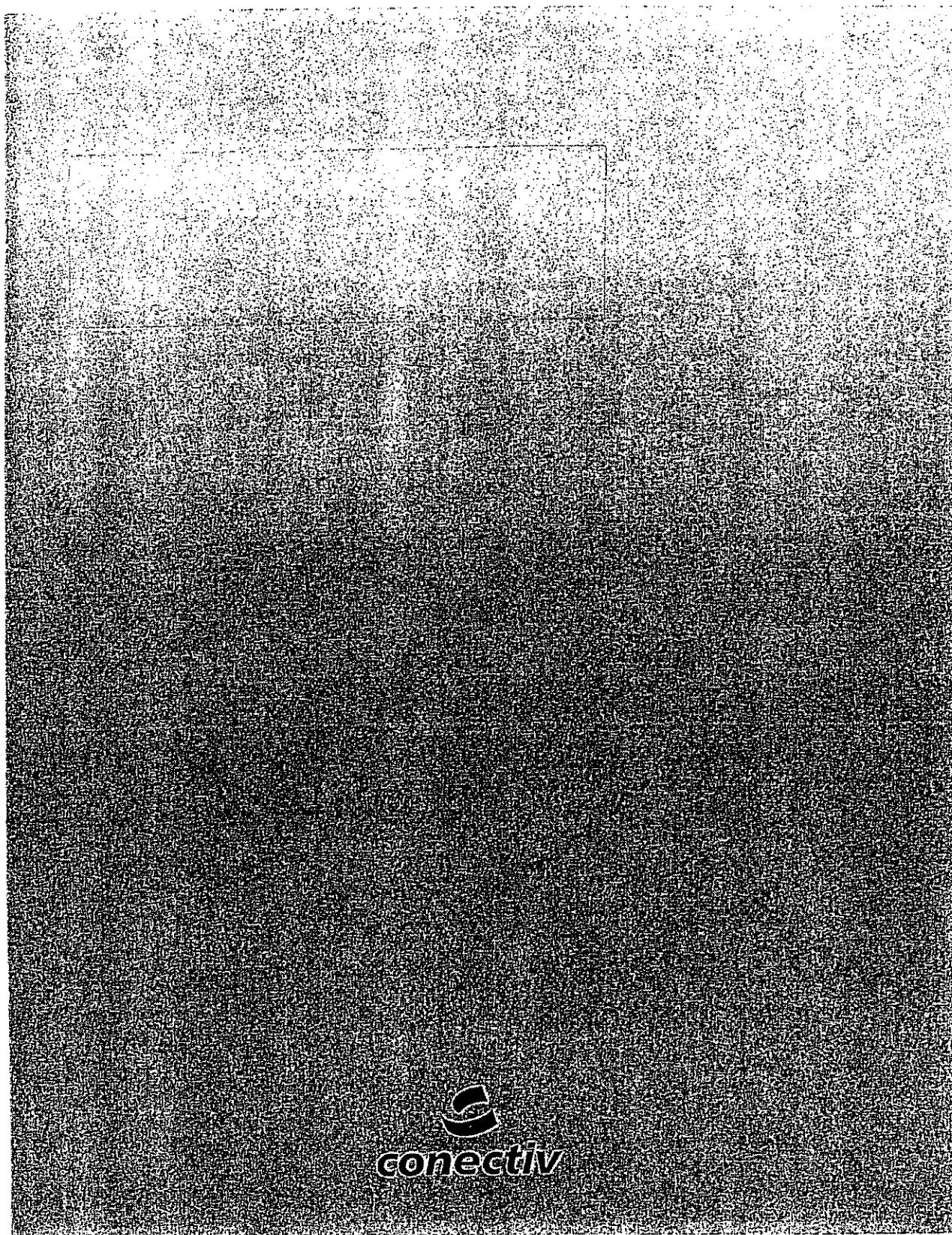
**Call the Conectiv Human  
Resource Service Center—HRSC**

Getting prompt, confidential answers to your Total Rewards  
questions is as easy as dialing 1-800-201-4713.

Hours for HRSC are 7:30 a.m. to 5:30 p.m., Monday through Friday.

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**conectiv**

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1 IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

2

3 J. MICHAEL CHARLES; MAURICE CIVIL ACTION  
W. WARD, JR.; and JOSEPH I.

4 FINK, JR.; on behalf of  
themselves and all others

5 similarly situated,

6 Plaintiffs,

7 v.

8 PEPCO HOLDINGS, INC.;  
CONECTIV, and PEPCO HOLDINGS  
9 RETIREMENT PLAN,

10 Defendants. NO. 05-702(SLR)

11

Philadelphia, Pennsylvania

12 Wednesday, April 4, 2007

13 Transcript of testimony of BENJAMIN D.

14 WILKINSON, as taken by and before DENISE M.

15 PITCHFORD, Registered Professional Reporter and

16 Notary Public, at the offices of PEPPER HAMILTON,

17 LLP, 3000 Two Logan Square, 18th & Arch Streets,

18 commencing at 10:11 o'clock in the forenoon.

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22

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00002

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23

24

00091

1 Q. And the first one is "Masks cost  
2 cutting." Do you see that?

3 A. Yes.

4 Q. Okay. And if you go down to the  
5 next slide right below that, on the left-hand side,  
6 which is titled, "Important Perspectives on  
7 Conectiv's New Retirement Program."

8 A. Yes.

9 Q. Okay. And the first bullet on that  
10 is, "New program not designed to provide cost  
11 savings for Conectiv." Do you see that?

12 A. Yes.

13 Q. Is that bullet meant to address the  
14 concern of masks cost cutting?

15 MS. YU: Objection as to form.

16 THE WITNESS: I think that bullet  
17 probably refers to the fact that Conectiv cash  
18 balance plan, in the words of Watson Wyatt, was the  
19 richest cash balance plan their firm had ever put  
20 in place. It was not designed to mask any cost  
21 cutting. It was very rich, very generous.

22 BY MR. SAUDER:

23 Q. And that's one of the points that  
24 that bullet is addressing, correct, the bullet that

00114

1 BY MR. SAUDER:

2 Q. Okay. Atlantic -- for every \$100

3 Conectiv was spending, Atlantic was spending \$122

4 on retirement, is that correct?

5 A. Yes.

6 Q. And Delmarva was spending \$109 on

7 the retirement, correct?

8 A. Yes.

9 Q. If you flip to the page ending 203.

10 A. Okay.

11 Q. The graph on the left-hand side?

12 A. Yes.

13 Q. Do you know who that was prepared

14 by?

15 A. I'm guessing -- I just don't know.

16 Q. Do you know what the graph is meant

17 to convey?

18 MS. YU: Objection.

19 THE WITNESS: Yes. It's meant to

20 convey that this kind of a plan design is better

21 suited to what the company, at that point, thought

22 was going to be the new workforce. People leaving

23 at earlier ages, not people staying until they've

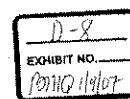
24 got 40 years service.



## Conectiv Total Rewards

*The tangible and hidden paychecks*

20080807





## **Main Points**



### **1. Very Competitive in the Region**

- Moves in the direction of making us more compatible
- Still provides high level of care
- Offers more choices

### **2. Responsive to Needs of Business**

### **3. Will affect people differently—and that's okay**

- By Business Group
- Atlantic, Delmarva, Unions, Unregulated Conectiv

### **4. People will need to make choices in mid May**

### **5. Implementation in phases**

JNCO0758

## Background

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- Why?**    Position for Competition  
            Serve the Business Group Strategies  
            Enhance Performance of Workforce
- Goals:**    Costs  
              Flexibility  
              More Choices  
              Changing Needs of Workforce

JMC00009

## How did we do?



### Flexibility, Choices, Contemporary Workforce

- Good

### Cost

- Build framework, but not dramatic savings
  - Move toward principle of "results based" vs. entitlement
  - Begin to emphasize variable pay
  - Begin to drive to 80/20 cost share
- Positions us to be more market-based (yet consistent with "soft landing")

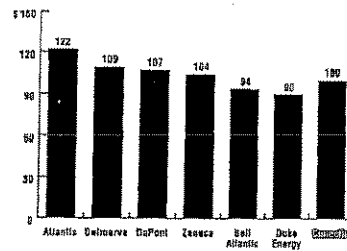
JMK/08/09/09

## Regional Comparisons



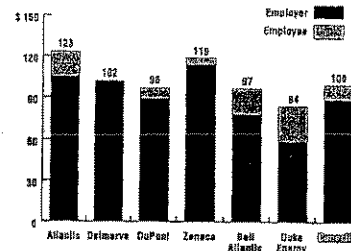
### Retirement<sup>(1)</sup>

Dollars spent by others for every \$100 spent by Conectiv



### Health<sup>(2)</sup>

Dollars spent by others for every \$100 spent by Conectiv



<sup>1</sup> Pension, 401K, Post-Retirement Medical

<sup>2</sup> Medical + Dental

10/20/06

## **Pay**

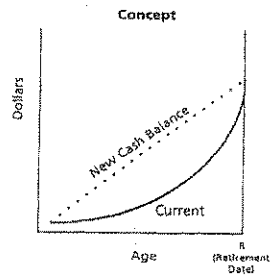
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- **Base**
  - Market priced
- **Annual Variable**
  - Ability to earn substantially beyond market
- **Long-term**
  - Primarily tied to corporate performance
- **Spot**
  - Cash anytime

JMC6397

## Overview: Cash Balance Pensions



**When:** 1/1/99

**Advantages:** Portability  
Better Survivors Benefits

**Grandfathering:** Yes. Choice for 10 years for those 50 and older, or have more than 20 years with company.

**Vesting:** 5 years

**Business Rationale:** Employees more mobile

**Communications:** Special home newsletter  
Personal calculations in Fall

**Retiree Health Care:** Special plan affecting persons 50 years and older having 15 years with company. Can rejoin at 55 with proof of insurability.

JWC/ROB/BS



## Overview: 401K



Increase Match to

# 3%

Vanguard: 11 fund choices

**When:** 7/1/98

**Advantages:** More Company contribution to encourage employee savings

**Business Rationale:** Encourage Portable Retirement Savings & Employee Ownership

**Training:** By Vanguard in May/June

15% per hr  
5% after

ENCLOSURE

## Overview: Total Pension Package



### Designed to provide:

- 90% of Pre-retirement Income *Salary day before you retire.*
- 100+% of Pre-retirement Income with Social Security

JMC/00016

## Transition



### Summary: Pension

- More modern
- Package provides comparable value
- More need for individuals to manage

### Why Flex?

- More & broader choices for dollars available
- Better cost control for company
- "One size fits all" no longer appropriate

ENCLOSURE

## Overview: Conectiv Flex



### Option Areas:

- Medical (up to 4)
- Dental (up to 3)
- Vision (up to 3)
- Life Insurance (up to 9)
  - Employee
  - Spouse
  - Children
- AD&D (up to 7)
  - Employee
  - Spouse
  - Children

**When:** 7/1/98

**Enrollment Period:** May 18 – June 1

**How:** By touchtone phone

**Business Rationale:** Provide more options for available \$

**Communications:** Home newsletter  
Q&A Hotline meetings  
Customized enrollment kit

08/03/2007

## Overview: Conectiv Flex Medical



### Goal: Everybody at 80/20 over time

- Today Delmarva 93/7
- AE 80/20

### Affects people differently—it's okay

- 8 starting points
  - (AE, DPL, Conectiv management; 210, 1238, 1307; AE, DPL pensioners)
- Examples
  - AE management & unions—about the same
  - DPL unions—negotiated increases, Fall of '97
  - DPL management
    - increases in two phases—7/98 & 7/99
    - pre tax mitigates by about 1/3

And, in late 1990's, costs of programs are closer

2/1/02/08

## The Benefits of Pretax Medical Payments



**Example:** \$40/mo. increase in  
medical payments  
40% tax rate combined  
state & federal

**After Tax**  
Out-of-Pocket

**\$40**

**Pre Tax**  
Out-of-Pocket

**\$24**

(\$16 that would have  
gone to pay taxes can now  
go to pay medical.)

20050829



## Overview: Conectiv Choice



### Employees can buy:

- Cancer insurance
- Prepaid legal services

**When:** 7/1/98

**Enrollment Period:** To be determined

**Business Rationale:** Provide more options

**Communications:** Separate from vendor

25C00119

## Overview: Holidays (Draft)



$$\begin{array}{r} 8 \text{ Set} \\ +4 \text{ Floating} \\ \hline 12 \text{ Total} \end{array}$$

**When:** 1/1/99

**Business Rationale:** More responsive to customers

**Communications:** Home newsletter

**Set:**

- New Year's Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving
- Day after Thanksgiving
- Christmas Eve Day
- Christmas Day

JMC/08/03/07

## Overview: Vacation Draft



Years	Weeks
<b>1</b>	<b>2</b>
<b>6</b>	<b>3</b>
<b>15</b>	<b>4</b>
<b>23</b>	<b>5</b>
<b>30</b>	<b>6</b>

**When:** 1/1/99

**Business Rationale:** Flexibility for experienced hires

**Communications:** Home Newsletter

JMC08032

## Other



### Disability

- Design in Fall
- Current policies apply

### Post Retirement Medical

- About same except for special "50" provision

### Retiree Life Insurance

- About the same

### Conectiv Severance

- Design in Fall

### Service Emblems

- Design in progress

### Work & Family

- Design in progress

JAN06/23

## Summary



- **Hidden Paycheck**
  - About 35% to 40% of base pay
- **Good Balance**
  - Positions us toward competitive markets
  - Provides high level of care for employees
- **Expect leaders to support direction and positively engage employees**